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The BAeAM Experience 1993-99		BAE SYSTEMS
1993		Today
<ul style="list-style-type: none">• 40+ Idle 146s >100• 100-200 Idle Turbo's• 10 Aircraft Types• 3 turboprop types in production:• Market in disarray• 89 J31/2's with AMR• Sales financing• Aircraft Manufacturer• Production Driven• No recourse protocols• Projected recourse £5bn• Future income speculative		<ul style="list-style-type: none">Zero Idle 146s153 Aircraft typesAll turbo programs discontinuedOrderly marketNone with AMR, all re-deployedStructured FinancingFleet ServicerFinance driven, market ledRobust provisioning policyActual recourse <£3b90% of projected income is assured by FRIP

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Portfolio turnover 1996 - 1999							BASE SYSTEMS
Year	Lease Extensions	Leases	Sales	Headlease Returns	Sublease Returns	Other	Total
1996	76	66	32	53	10	10	239
1997	56	79	44	2	66	16	263
1998	29	62	40	24	62	1	218
1999	43	48	10	44	44	0	189
Total	204	255	126	72	255	27	909

Average of 4.4 transactions per week

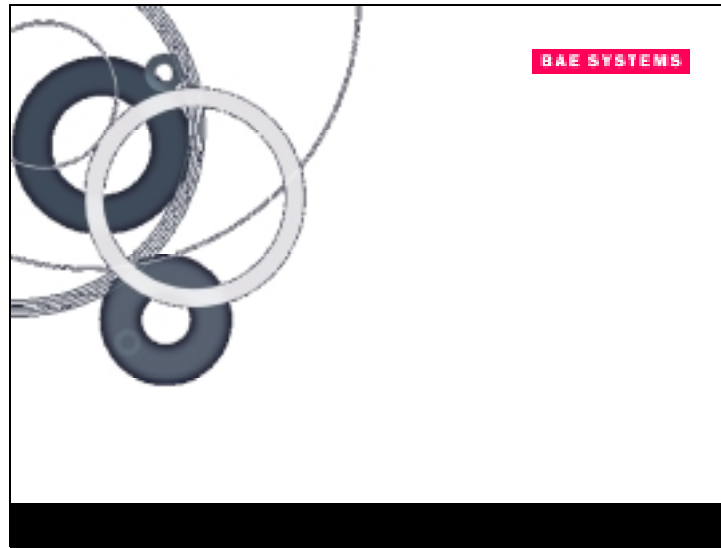
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Summary

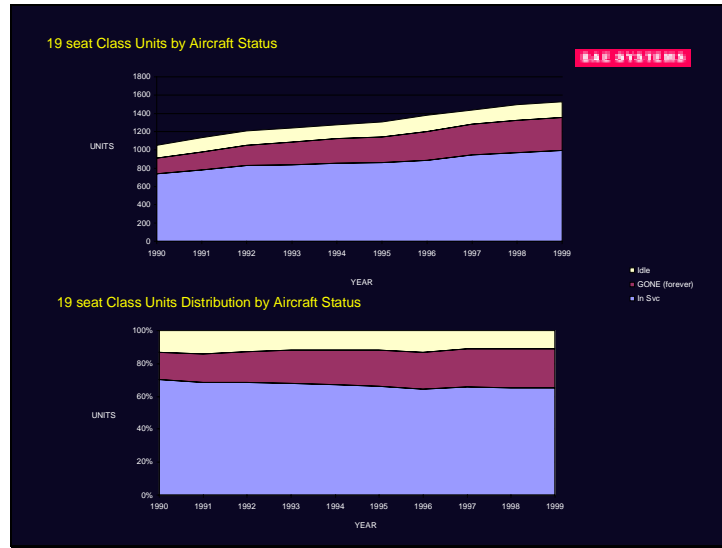
BAE SYSTEMS

- BAAM has been successful in fulfilling its primary mandate (financial exposures have been drastically reduced) by a combination of:
 - financial engineering
 - Robust application of financial and risk management disciplines
 - Continuous improvement in operational capability and success
- Large Geographically Diverse Portfolio; with the majority in “Developed World”
- Portfolio Stability
- Processes & techniques have Evolved with Experience & continue to improve in adapting to an ever-changing market
- Self-Contained Team with in house portfolio valuation & financial modeling capability
- Well positioned to accept new challenges

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257 more aircraft in service over the last 10 years (Increasing EVERY year). 737 units in-service in 1990 vs. 994 in-service units 1999.

Average of 20 aircraft retired every year (over last 10 years) % of in-service fleet was 23% in 1990 to 37% in 1999

Only 30 additional idle aircraft over year end 1990 idle units (139 in 1990 vs. 169 in 1999)

Average Idle in comparison to in-service fleet FLAT at approx. 18%

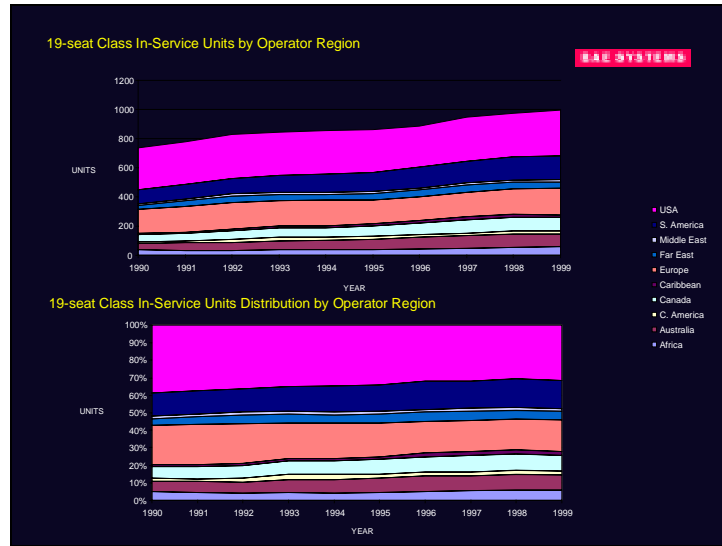
Market going through its mature phase. Our market is bigger than just regionals.

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largest growth area – non-scheduled operations (150 units in 1990 vs. 346 units in 1999).
 Growth from 20% of in-service fleet to 35%
 Scheduled airline units growth redistributed but growing as a whole in units (307 in 1990 vs. 317 in 1999). % of in-service fleet falls from 42% to 32%

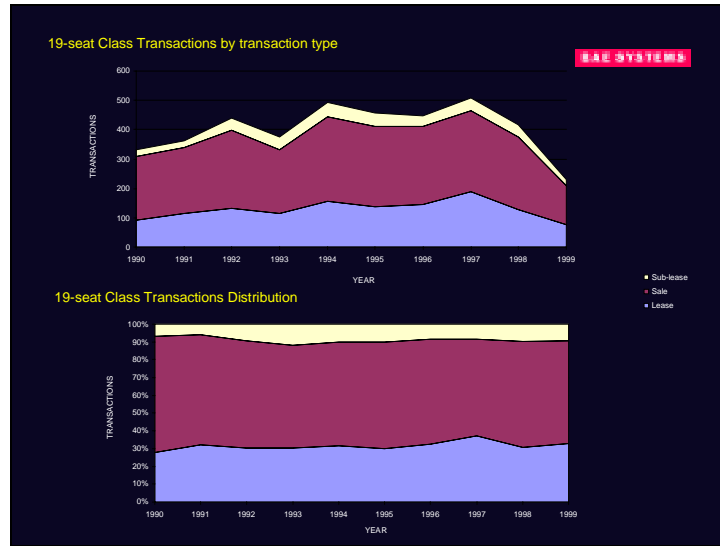
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Largest growth areas (%): Australia (9% of total in-service fleet) and S. America (16% of total in-service fleet)

Areas of least growth: USA (31% in 1999 vs 49% in 1990) and Europe (18% in 1999 vs. 22% in 1990)

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Volume based.

Sale transactions largest: 3rd party, many participants

Leases/sublease are majority controlled by OEM fleets

Drop off in 1999. Supply during the year has been more limited than in the past. Numbers still being collated. Could be an anomaly, still working numbers. Proportions unchanged.

Despite 1999 slow down, 2000 is expected to be active. Situation normal.

As 30-seaters hit market, may impact some markets in scheduled service, but we don't see transition into other segments.

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Asset Management and 19-seaters

848-3731EWS

- Customer Base has grown from 22 to 74
- Establishment of a third party liquid market for J31s
- Commitment to product improvement: J32EP
- Expansion continues into emerging markets
- Innovative and marketable product support programs: MACRO
- Proactively developing alternative market segments from traditional regional airline applications
- Experience in a variety of 19-seat type equipment
- Long-term commitment to 19-seat market through other added value service offered to the marketplace

Conclusions

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- 19-seat class in-service fleet units continues to grow.
- Idle fleet stable at 17% of in-service fleet (relative to growing in-service fleet)
- Orderly Aircraft retirements add to fleet stability (older and less modern types giving way to newer and more modern ones.
- Although traditional units in scheduled service still growing in numbers (in emerging regions), shift occurring to more non-traditional markets such as non-scheduled and non-airline operations (in mature regions).
- Largest fleets still in Europe and North America (over 60%).
- Growth opportunities in South America and Australia/New Zealand Regions.
- Transaction Volume lower than normal (temporary sign of a tight market).
- Situation normal

